swallowfield

INTERIM RESULTS

Released : 02/03/15 07:00

RNS Number : 1320G
Swallowfield PLC
02 March 2015

Swallowfield plc
("Swallowfield" or the "Group")

Interim Results

Swallowfield, a market leader in the development, formulation, and supply of personal care and beauty products; whose customers include many of the world's leading brands, announces its interim results for the 28 weeks ended 10 January 2015

	2015	2014
Revenue	£26.0m	£25.4m
Revenue (constant currency) [1]	£26.6m	£25.4m
Operating profit	£0.16m	£0.13m
Profit / (loss) before tax	£0.06m	£(0.02)m
Basic and diluted earnings per share	0.4p	0.3p
Net debt	£3.1m	£4.6m

[1] Revenue translated at 2014 exchange rates

HEADLINES

- Profitability increased in the period with an operating profit of £0.16m (2014: £0.13m) and a return to modest profitability on a profit before tax basis.
- Revenue growth of 2.1% at £26.0m (2014: £25.4m) with 8% growth from our 'drive' product categories. Revenues were 4.4% higher than prior year on a constant currency basis.
- Continued strong performance in our export markets with non-UK sales growing 12% and direct exports now representing 39% of revenue (2014: 35%).
- Cost optimisation project was completed as planned at our Bideford site.
- Tight control of costs and working capital has reduced net debt to £3.1m (2014: £4.6m).
- A number of brand launches scheduled in the second half expected to positively impact future performance.
- First production of innovative new plastic aerosol technology. This innovation represents a world first in its product category and format (i.e. a bag on valve aerosol product in a plastic container) which offers the consumer significant benefits.

Brendan Hynes, Non-executive Chairman, commented:

"The first half year profitability is in line with our expectations and we are making good, underlying progress with our new, "building a better Swallowfield" strategy. We are investing for the future, repositioning the business and delivering industry leading, innovative new products and packaging formats. This strategy will continue to strengthen our market position and help to build shareholder value in both the medium and long term."

Chris How, Chief Executive, commented:

"We are pleased with a solid first half performance, with continuing improvement in sales, margin and cash generation. Having stabilised the base business performance we have been able to make good progress on a number of the key strategic pillars with incremental profit streams starting to benefit the second-half year."

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Business Review

Revenue showed growth of 2.1% at £26.0m (2014: £25.4m); strong export growth of 12%, with direct export now representing 39% of turnover, offsetting some weakness in the UK market performance. The weakness of the Euro has reduced sales revenue by £0.6m, so revenue growth on a constant currency basis would have been 4.4%.

Direct contribution margins - defined as net sales less materials, direct labour, and other direct costs - increased by 0.4 percentage points compared with the same period last year. This reflects cost reduction efforts, the broadening of the customer base, and continued focus on new product development, all mitigating the negative impact of the weakened Euro.

We have continued to reduce our dependency on certain clients, the broadening of our overall customer and geographic mix, plus the product category focus, has further improved our risk profile.

Key innovation and in-house brand projects progressed well during the period:

In collaboration with one of our largest customers, Swallowfield has successfully developed and produced an aerosolised post-foaming shower gel in a plastic 'can'. Production commenced in December and is now appearing in stores across the UK. This innovation represents a world first in its product category and format i.e. a bag on valve aerosol product in a plastic container which offers significant benefits to the consumer.

Further, we received initial orders for our first Swallowfield owned brand which will appear in value retail channels imminently. Furthermore we have begun discussions with major national department store retailers regarding the distribution of our new premium beauty brand which will begin production in March.

These initiatives have resulted in a modest level of overhead investment in key personnel and skills to extend our capabilities.

The previously identified cost savings related to the re-organisation of our Bideford site have been delivered and we continue to focus on further opportunities with several active projects underway.

The net effect is that the Group made an operating profit of £0.16m (2014: £0.13m). Profit before tax returned to modest profitability of £0.06m (2014: loss of £0.02m). The net tax charge reflects the tax charge in the Czech Republic and a tax credit in the UK, resulting in an adjusted earnings per share of 0.4p (2014: 0.3p).

The Group's Chinese strategic investment of a 19% shareholding in Shanghai Colour Cosmetics Technology Company Limited (SCCTC) was re-valued during the period to fair value based on SCCTC's 31 December 2014 net assets. The initial cost of this investment was £0.14m and this is now valued at £0.38m in addition to the £0.1m of dividend income received since acquisition.

Net Debt and Cash Flow

Net debt decreased from a year-end position of £5.1m to £3.1m (2014: £4.6m). We have continued our focus on working capital with good results achieved. The net debt at the half year is generally lower than at the full year, and with the brand launches in the second-half we anticipate an increased investment in the second half of this financial year.

Financing costs of £0.11m (2014: £0.15m) comprised interest expense of £0.06m (2014: £0.07m) plus a pension scheme finance charge of £0.05m (2014: charge £0.08m).

Capital expenditure was £0.8m which was £0.3m above depreciation. We expect capital expenditure to be higher than depreciation in this financial year due to the timing of a major aerosol capital project straddling the year-end June 2014 date, the investment in our cost base optimisation project at Bideford, and investment in our new product development projects.

Dividends

The business is now progressing a number of strategic opportunities which are designed to build shareholder value in the medium and long term. These will require investment both in working capital and brand marketing / promotional support. Through this period of investment the dividend policy is expected to be relatively conservative.

No interim dividend has therefore been proposed.

Looking forward, it is the directors' intention to reinstate a dividend and to align the level of dividend payment to the underlying earnings and cash flow of the business. The dividend will be set taking into account the level of gearing and the operational requirements of the business.

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme. For accounting purposes at 10 January 2015, the Group recognised under IAS19 'employee benefits', a deficit of £5.0m (30 June 2014: £2.2m); The Accounting Standards require the discount rate to be based on yields on high quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension scheme's liabilities. Corporate bond indices are used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were significantly lower than they were at 30 June 2014. This has resulted in lower discount rates being adopted for accounting purposes compared to last year, offset by a reduction in expectations of long term inflation, and this has translated into significantly higher liabilities.

The defined benefit pension scheme is currently undergoing its latest triennial valuation as of 5 April 2014 the results of which are expected to be finalised by the end of the current financial year.

Progress vs Strategy

'Creating for Tomorrow, Delivering for Today'

Our business strategy is developed on two complimentary platforms. The first 'Creating for Tomorrow' identifies the strategic pillars that we believe will help us create a stronger business in the mid and long term. The second 'Delivering for Today' identifies some key operational focus areas that we need to drive in order to deliver our more immediate (i.e. current fiscal) performance.

The 4 strategic pillars of 'Creating for Tomorrow' are:

Product Category Focus
The business is focussing on a select number of 'drive' product categories where Swallowfield has an existing and sustainable competitive advantage. Future

investment of both human and financial resources will be prioritised to drive higher growth and profitability in each of these categories.

Our drive categories include - personal care aerosols; hot pour products (such as lip balms and deodorant sticks) and anti-perspirant roll-ons. We are pleased to report that our first half sales growth in our drive categories was 8%.

New Product Development
We are utilising our product development, manufacturing, and distribution expertise to create innovative ranges of products, which will be taken to market under our own brand names. These will be positioned to avoid any direct conflict with our existing valued customer base.

We are pleased to have taken our first trade orders in H1 for the first one of our 'value' brands, 'Tru Shave', and have entered into discussion with national department stores on our first premium beauty brand, 'Bagsy'. Trade reaction to date for 'Bagsy' has been very positive, however the retailer decision making and ranging process takes time and, as a result, our projected sales and margin delivery may take a few months longer than originally anticipated thereby pushing some of the benefits into the next financial year.

We are continuing to evaluate opportunities to accelerate our strategy delivery in this area, and create accretive growth, including possible acquisitions.

Following the first sales of our innovative new plastic aerosol product in a post-foaming shower gel format, we will now seek to extend this technology to other 'drive' product categories and customers.
The technology offers the consumer and brand owners' significant benefits:

- Soft to touch
- Warm to touch
- Greater flexibility in 'can' shapes due to plastic moulding capability
- Lighter in use and transportation (packaging weight is 18 % lighter than previous metal format)
- Less likely to cause damage if dropped
- Corrosion resistant in a bathroom environment
- Packaging and design consistency with other products in a brand range likely to be in plastic bottles, tubes, jars etc…

This project, which has created a world-first product, has taken three years to develop and included many technical innovations to overcome challenges around elements such as: pressurisation precision, crimping technology, gassing techniques, formulation compatibility, shrink-sleeving onto heat sensitive PET and many more.

Emerging New Category
Our objective is to develop a capability in a new high growth, high margin product category that can become an additional 'drive' category by 2016. In H1 we have run production trials on aerosolised food and beverage products and expect to run production trials for another new product category in the second half. We will continue to evaluate the respective options with a view to scaling up in FY16.

Cost Base Optimisation
We aim to improve our asset utilisation across our locations, which will reduce the cost base and improve productivity. As an example we have now consolidated our Bideford site into two buildings from three, relocating selected manufacturing lines to Tabor in the Czech Republic. This project was completed in the first half and will deliver full year savings of £0.23m. We are continuing to evaluate options to optimise the use and location of our production assets across all Group sites.

Outlook

The UK and European market place remains extremely competitive, with pressure on pricing and continuing uncertainty around the Euro. The second half year performance remains dependent on the exact timing of planned product launches, the impact of wider economic conditions and underlying consumer demand.

Overall for the current year we expect to report strong PBT growth versus prior year, as more of our new product developments reach the market over the coming months. In terms of run rate profitability, we expect a more significant full year benefit to be delivered next year.

We continue to build positive momentum with the outlined strategy with underlying sales growth being achieved, and further new products and brand launches expected in the second half of this year. This will continue to underpin revenue and profitability growth and help to build shareholder value in the medium and longer term.

Group Statement of Comprehensive Income

Continuing operations	Notes	**28 weeks ended 10 Jan 2015 (unaudited) £'000**	28 weeks ended 04 Jan 2014 (unaudited) £'000	12 months ended 30 June 2014 (audited) £'000
Revenue	2	**25,975**	25,432	50,033
Cost of sales		**(23,321)**	(23,012)	(44,859)
Gross profit		**2,654**	2,420	5,174
Commercial and administrative costs		**(2,490)**	(2,294)	(4,406)
Operating profit before exceptional items		**164**	126	768
Exceptional items	2	**-**	-	(366)
Operating profit / (loss)		**164**	126	402
Finance income	3	**-**	-	16
Finance costs	3	**(108)**	(150)	(278)
Profit / (loss) before taxation		**56**	(24)	140
Taxation		**(7)**	60	17
Profit after taxation		**49**	36	157

Other comprehensive (loss) / income

for the period:				
Re-measurement of defined benefit liability	7	**(2,142)**	(54)	608
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		**(54)**	(128)	(167)
Gain / (loss) on available for sale financial assets		**63**	(53)	(47)
Other comprehensive (loss) / income for the period		**(2,133)**	(235)	394
Total comprehensive (loss) / income for the period		**(2,084)**	(199)	551
Profit attributable to:				
Equity shareholders		**49**	36	157
Total comprehensive (loss) / income attributable to:				
Equity shareholders		**(2,084)**	(199)	551
Earnings per share				
- basic and diluted	4	**0.4p**	0.3p	1.4p
Dividend				
Paid in period (£'000)		**-**	-	-
Paid in period (pence per share)		**-**	-	-
Proposed (£'000)	5	**-**	-	-
Proposed (pence per share)		**-**	-	-

Group Statement of Changes in Equity

	Share Capital	**Share Premium**	**Exchange Reserve**	**Retained Earnings**	**Available for Sale Financial Assets**	**Net defined benefit liability / (asset)**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 July 2014	**566**	**3,830**	**(315)**	**8,022**	**178**	**279**	**12,560**
Dividends	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-
Profit for the period	-	-	-	49	-	-	49
Other comprehensive income:							
Exchange difference on translating foreign operations	-	-	(54)	-	-	-	(54)
Gain on available for sale financial assets	-	-	-	-	63	-	63
Re-measurement of defined benefit liability	-	-	-	-	-	(2,142)	(2,142)
Total comprehensive loss for the period	-	-	(54)	49	63	(2,142)	(2,084)
Balance as at 10 January 2015	**566**	**3,830**	**(369)**	**8,071**	**241**	**(1,863)**	**10,476**

	Share Capital	**Share Premium**	**Exchange Reserve**	**Retained Earnings**	**Available for Sale Financial Assets**	**Net defined benefit liability / (asset)**	**Total Equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 July 2013	**566**	**3,830**	**(148)**	**7,865**	**225**	**(329)**	**12,009**
Dividends	-	-	-	-	-		-
Transactions with owners	-	-	-	-	-	-	-
Profit for the period	-	-	-	36	-	-	36
Other comprehensive income:							
Exchange difference on translating foreign operations	-	-	(128)	-	-	-	(128)
(Loss) on available for	-	-	-	-	(53)	-	(53)

sale financial assets							
Re-measurement of defined benefit liability	-	-	-	-	-	(54)	(54)
Total comprehensive income for the period	-	-	(128)	36	(53)	(54)	(199)
Balance as at 4 January 2014	**566**	**3,830**	**(276)**	**7,901**	**172**	**(383)**	**11,810**

	Share Capital	Share Premium	Exchange Reserve	Retained Earnings	Available for Sale Financial Assets	Net defined benefit liability / (asset)	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2013	**566**	**3,830**	**(148)**	**7,865**	**225**	**(329)**	**12,009**
Dividends	-	-	-	-	-		-
Transactions with owners	-	-	-	-	-		-
Profit for the period	-	-	-	157	-	-	157
Other comprehensive income:							
Exchange difference on translating foreign operations	-	-	(167)	-	-	-	(167)
(Loss) on available for sale financial assets	-	-	-	-	(47)	-	(47)
Re-measurement of defined benefit liability	-	-	-	-	-	608	608
Total comprehensive income for the period	-	-	(167)	157	(47)	608	551
Balance as at 30 June 2014	**566**	**3,830**	**(315)**	**8,022**	**178**	**279**	**12,560**

Group Statement of Financial Position

	Notes	**As at 10 Jan 2015 (unaudited) £'000**	As at 04 Jan 2014 (unaudited) £'000	As at 30 June 2014 (audited) £'000
ASSETS				
Non-current assets				
Property, plant and equipment		**10,676**	10,660	10,406
Intangible assets		**145**	125	114
Deferred tax assets		**887**	364	275
Investments		**384**	316	322
Total non-current assets		**12,092**	11,465	11,117
Current assets				
Inventories		**6,403**	6,384	7,065
Trade and other receivables		**8,890**	10,086	12,818
Cash and cash equivalents		**512**	494	533
Current tax receivable		**1**	315	232
Total current assets		**15,806**	17,279	20,648
Total assets		**27,898**	28,744	31,765
LIABILITIES				
Current liabilities				
Trade and other payables		**12,338**	13,688	16,876
Interest-bearing loans and borrowings		**-**	111	-
Current tax payable		**21**	48	54
Total current liabilities		**12,359**	13,847	16,930
Non-current liabilities				
Post-retirement benefit obligations	7	**5,002**	3,021	2,212
Deferred tax liabilities		**61**	66	63
Total non-current liabilities		**5,063**	3,087	2,275
Total liabilities		**17,422**	16,934	19,205
Net assets		**10,476**	11,810	12,560
EQUITY				
Share capital		**566**	566	566
Share premium		**3,830**	3,830	3,830
Other components of equity		**241**	172	178
Exchange reserve		**(369)**	(276)	(315)
Re-measurement of defined benefit liability		**(1,863)**	(383)	279
Retained earnings		**8,071**	7,901	8,022
Total equity		**10,476**	11,810	12,560

Group Cash Flow Statement

	28 weeks ended 10 Jan 2015 (unaudited) £'000	28 weeks ended 04 Jan 2014 (unaudited) £'000	12 months ended 30 June 2014 (audited) £'000
Cash flow from operating activities			
Profit / (loss) before taxation	**56**	(24)	140
Depreciation	**503**	550	1,306
Amortisation	**26**	36	66
Profit on disposal of property, plant and equipment	**-**	(84)	(78)
Finance income	**-**	-	(16)
Finance cost	**108**	150	278
Decrease in inventories	**662**	910	229
Decrease in trade and other receivables	**3,315**	3,045	157
(Decrease) in trade and other payables	**(2,099)**	(3,352)	(582)
Contributions to defined benefit plan	**(200)**	(197)	(413)
Current service cost of defined benefit plan	**230**	160	342
Cash generated from operations	**2,601**	1,194	1,429
Finance expense paid	**(59)**	(74)	(138)
Taxation received / (paid)	**199**	(6)	(42)
Net cash flow from operating activities	**2,741**	1,114	1,249
Cash flow from investing activities			
Finance income received			16
Purchase of property, plant and equipment	**(756)**	(287)	(879)
Purchase of intangible assets	**(57)**	(27)	(46)
Sale of property, plant and equipment	**-**	251	250
Net cash flow from investing activities	**(813)**	(63)	(659)
Cash flow from financing activities			
(Repayment) / proceeds of debt facility	**(1,949)**	(1,329)	(718)
Repayment of loans	**-**	(321)	(432)
Dividends paid	**-**	-	-
Net cash flow from financing activities	**(1,949)**	(1,650)	(1,150)
Net (decrease)/ increase in cash and cash equivalents	**(21)**	(599)	(560)
Cash and cash equivalents at beginning of period	**533**	1,093	1,093
Cash and cash equivalents at end of period	**512**	494	533
Cash and cash equivalents consist of:			
Cash	**512**	494	533
Cash and cash equivalents at end of period	**512**	494	533

Notes to the Accounts

Note 1 Basis of preparation
The Group has prepared its interim results for the 28 week period ended 10 January 2015 in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and also in accordance with the recognition and measurement principles of IFRS issued by the International Accounting Standards Board.

The Directors have considered trading and cash flow forecasts prepared for the Group, and based on these, and the confirmed banking facilities, are satisfied that the Group will continue to be able to meet its liabilities as they fall due for at least one year from the date of approval of the Interim Report. On this basis, they consider it appropriate to adopt the going concern basis in the preparation of these accounts.

As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 'Interim Financial Reporting'.

These interim financial statements do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 27 February 2015.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of certain non-current assets. The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's Annual Report and Financial Statements for the year ended 30 June 2015.

The statutory accounts for the year ended 30 June 2014, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified Auditors Report and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Note 2 Segmental analysis
The Group operates in one reportable segment as all sales, purchasing, production and operational decisions are taken based on the overall Group operating performance. The results of this segment are as reported through the Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Equity and Group Cash Flow Statement.

The distribution of the Group's external revenue by destination is shown below:

Geographical segments	28 weeks ended 10 Jan 2015 (unaudited) £'000	28 weeks ended 04 Jan 2014 (unaudited) £'000	12 months ended 30 June 2014 (audited) £'000
UK	**15,904**	16,443	31,173
Other European Union countries	**9,152**	7,806	16,559
Rest of the World	**919**	1,183	2,301
	25,975	25,432	50,033

In the 28 weeks ended 10 January 2015, the Group had two customers that exceeded 10% of total revenues, being 13.5% and 10.8% respectively. In the 28 weeks ended 4 January 2014, the Group had three customers that exceeded 10% of total revenues, being 15.8%, 11.4% and 10.3% respectively.

Exceptional items in the year ended 30 June 2014 related to the restructure of the Bideford site. This included £264,000 of accelerated depreciation on fixed asset items and £92,000 accrual for employee redundancies.

Note 3 Finance income and costs	28 weeks ended 10 Jan 2015 (unaudited) £'000	28 weeks ended 04 Jan 2014 (unaudited) £'000	12 months ended 30 June 2014 (audited) £'000
Finance Income			
Other income	**-**	-	16
	-	-	16
Finance costs			
Bank loans and overdrafts	**59**	74	138
Net pension scheme costs	**49**	76	140
	108	150	278

Note 4 Earnings per share	28 weeks ended 10 Jan 2015 (unaudited)	28 weeks ended 04 Jan 2014 (unaudited)	12 months ended 30 June 2014 (audited)
Basic and diluted			
Profit for the period (£'000)	**49**	36	157
Basic weighted average number of ordinary shares in issue during the period	**11,306,416**	11,306,416	11,306,416
Basic earnings per share	**0.4p**	0.3p	1.4p
Diluted earnings per share	**0.4p**	0.3p	1.4p

Basic earnings per share has been calculated by dividing the profit for each financial period by the weighted average number of ordinary shares in issue in the period. There is no significant difference at 10 January 2015 between the basic net earnings per share and the diluted net earnings per share.

The outstanding share option awards do not have a significant impact on the calculation of diluted earnings per share.

Adjusted earnings per share				
Profit for the period (£'000)	**49**	36	157	(910)
Add back: Exceptional items	**-**	-	366	491
Notional tax charge on exceptional items	**-**	-	(83)	(117)
Adjusted profit before exceptional items	**49**	36	440	(536)
Basic weighted average number of ordinary shares in issue during the period	**11,306,416**	11,306,416	11,306,416	
Adjusted basic earnings per share	**0.4p**	0.3p	3.9p	(4.7p)
Adjusted diluted earnings per share	**0.4p**	0.3p	3.9p	(4.7p)

Adjusted earnings per share has been calculated by dividing the adjusted profit (after allowing for the notional tax charge on exceptional items) by the weighted average number of shares in issue in the period.

Note 5 Dividends
The Directors have not declared an interim dividend payment (2014: Interim: nil; Final: nil).

Note 6 Reconciliation of cash and cash equivalents to movement in net debt

	28 weeks ended 10 Jan 2015 (unaudited) £000's	28 weeks ended 04 Jan 2014 (unaudited) £000's	12 months ended 30 June 2014 (audited) £000's
(Decrease) / increase in cash and cash equivalents in the period	**(21)**	(599)	(560)
Net cash outflow / (inflow) from decrease / (increase) in borrowings	**1,949**	1,650	1,150
Change in net debt resulting from cash flows	**1,928**	1,051	590

Net debt at the beginning of the period	**(5,077)**	(5,667)	(5,667)
Net debt at the end of the period	**(3,149)**	(4,616)	(5,077)

Note 7 Accounting Policies

The accounting policies used in the interim financial statements are consistent with IFRS and those which will be adopted in the preparation of the Group's Annual Report and Financial Statements for the year ended 30 June 2015.

IAS 19 'Employee Benefits'

The effects of the application of IAS19 on the statement of financial position at 10 January 2015 are:

	10 January 2015 £000's
Increase in pension and other benefit obligations	(2,790)
Decrease in deferred tax	569
Decrease in equity	**(2,221)**

The Accounting Standards require the discount rate to be based on yields on high quality (usually AA-rated) corporate bonds of appropriate currency, taking into account the term of the relevant pension scheme's liabilities. Corporate bond indices are often used as a proxy to determine the discount rate. At the reporting date, the yields on bonds of all types were significantly lower than they were at 30 June 2014. This has resulted in lower discount rates being adopted for accounting purposes compared to last year, offset by a reduction in expectations of long term inflation, and this has translated into significantly higher liabilities. The key assumptions used were:

	As at 10 January 2015	As at 30 June 2014
Discount Rate	3.45%	4.40%
Rate of inflation (RPI)	2.95%	3.25%
Rate of inflation (CPI)	2.00%	2.30%

Note 8 Announcement of results

These results were announced to the London Stock Exchange on 2 March 2015. The Interim Report will be sent to shareholders and is available to members of the public at the Company's Registered Office at Swallowfield House, Station Road, Wellington, Somerset, TA21 8NL.

Independent review report to Swallowfield plc

Introduction

We have been engaged by the Group to review the financial information in the half-yearly financial report for the 28 weeks ended 10 January 2015 which comprises the Group statement of comprehensive income, the Group statement of changes in equity, the Group statement of financial position, the Group cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report which comprises the Chief Executive's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRS's as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 1.

Our responsibility

Our responsibility is to express to the Group a conclusion on the financial information in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the 28 weeks ended 10 January 2015 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

GRANT THORNTON UK LLP
AUDITOR
Southampton
27 February 2015

END

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